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DUE

MEMORANDUM FOR: Director of Central Intelligence  
Deputy Director of Central Intelligence

FROM : Robert M. Gates  
Deputy Director for Intelligence

SUBJECT : Response to Judge Clark

1. Action Requested: Your decision regarding the 18 June letter from Judge William P. Clark. [redacted] 25X1

2. Background: I have no objection to Bill Clark's request that the CIA study on international differences in financial capital costs be declassified and disseminated [redacted] 25X1

[redacted] 25X1

[redacted] CIA's capital cost estimates flow from a specific methodological approach which needs to be explained in detail to both give credibility to the results and allow the reader to distinguish them from estimates made elsewhere under differing assumptions. [redacted] 25X1

3. You should be aware that Department of the Treasury officials have taken strong exception to this paper's methodologies and findings. A thorough review of a detailed Treasury critique indicates that Treasury's main problem stems from CIA's use of nominal rather than real capital costs as the indicator of international competitiveness. In essence Treasury analysts assert that high nominal capital costs do not disadvantage US business with respect to investment undertakings; they argue that the higher costs are offset by the higher rate of price inflation for goods produced for sale in the United States. We strongly disagree with Treasury's assertion that business looks at real rather than nominal capital costs; moreover, OGI's analysis makes no judgment regarding international differences in investment profitability beyond stating the implications of higher nominal capital costs

25X1

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for business decisionmaking. I believe that the foreword of any declassified paper should contain a strong statement noting the limited scope of the study; this has been done in the unclassified version prepared for Secretary Baldrige. Even this action, however, is unlikely to mollify Treasury's concern. 25X1

4. Should you agree to the paper's unclassified dissemination [redacted] I have attached for 25X1  
your signature a memorandum for Judge Clark, [redacted] 25X1  
[redacted] and a copy of the paper. Should you choose not to 25X1  
release an unclassified version, we will prepare a letter to  
Judge Clark for your signature explaining your reasons for being  
unable to agree to his request. [redacted] 25X1

[redacted] 25X1

Robert M. Gates

Attachments:  
As stated

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**APPROVED:**

**/s/ William J. Casey**

**01 JUL 1982**

**\_\_\_\_\_  
Director of Central Intelligence**

**\_\_\_\_\_  
Date**

**DISAPPROVED:**

**\_\_\_\_\_  
Director of Central Intelligence**

**\_\_\_\_\_  
Date**